

Energy Wholesale Market Review

Week Ending 18th December 2015



edw technology

EDW House, Radian Court, Knowlhill, Milton Keynes, MK5 8PJ.

Phone: +44 (0)8448 802 489
Email: info@edwtech.com
Website: edwtech.com



Contents

Baseload electricity	Error! Bookmark not defined.
Peak electricity	Error! Bookmark not defined.
Seasonal power prices	Error! Bookmark not defined.
Supplier hedging strategies	Error! Bookmark not defined.
Wholesale price snapshot	5
About EDW Technology Limited	6



Headlines 18/12/2015

All power and gas contracts declined this week as prices continued to follow commodity markets lower. Falling oil prices were the primary driver of seasonal gas contracts, with summer 16 gas slipping 3.5% to 32.1p/th. Falls in gas and coal prices fed through to seasonal power contracts, with summer 16 power trimming 3.2% to a record low of £35.3/MWh. Meanwhile, spot gas and power contracts fell to multi-year lows amid unseasonably mild weather, with temperatures 86.5% above the seasonal norm. Day-ahead gas tumbled 11.6% to a five-year low of 31.9p/th and was additionally weighed on by increased gas supplies. Day-ahead power slid 11.4% to £34.9/MWh, the lowest price since July 2014. Brent crude oil dropped 7.7% to average \$37.6/bl, reaching an 11-year low of \$37.2/bl on Thursday. Prospects of higher Iranian production levels if export sanctions are lifted depressed prices further. API 2 coal prices declined 1.2% this week to average \$44.3/t.

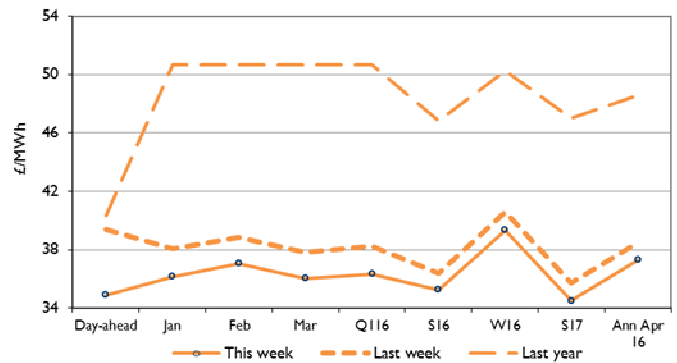
Baseload electricity

- Annual April 16 power fell 3.1% to a record low of £37.3/MWh, 4.0% under its value last month (£38.9/MWh).
- The contract followed gas and coal prices lower, which remained the principle driver of price movements.
- With coal, oil and gas prices all at record low levels, power prices are expected to remain low in the short and medium-term.
- All power contracts declined this week.
- Day-ahead power tumbled 11.4% to £34.9/MWh, the lowest price since July 2014.
- Lower spot gas prices, high wind output (averaging 3.1GW) and mild temperatures (86.5% above the seasonal norm) pulled prices to record low levels. This was despite an increase in power demand over the week.

Annual April contract



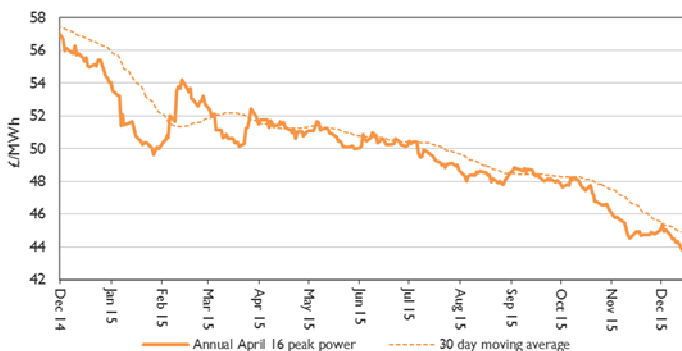
Forward curve comparison



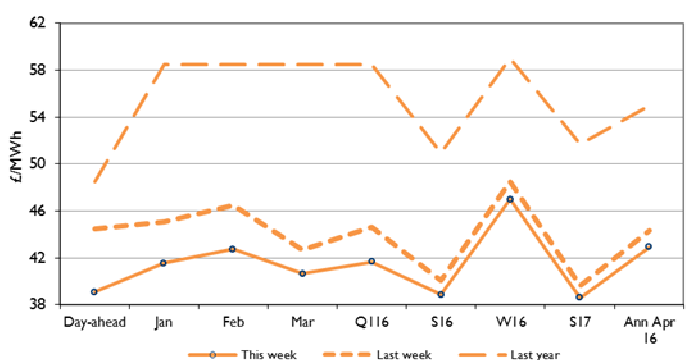
Peak electricity

- Annual April 16 peak power dropped 3.1% this week to a record low of £42.9/MWh, following its baseload counterpart lower.
- The contract is now 4.0% lower than its level last month (£44.7/MWh) and 21.9% under its level last year (£55.0/MWh).
- All peak power contracts decreased this week.
- Peak day-ahead power slipped 12.1% to £39.1/MWh, the lowest since August 2014. This was despite a small rise in average daily peak power demand.
- Month-ahead peak power fell 7.8% to £41.6/MWh.

Annual April contract



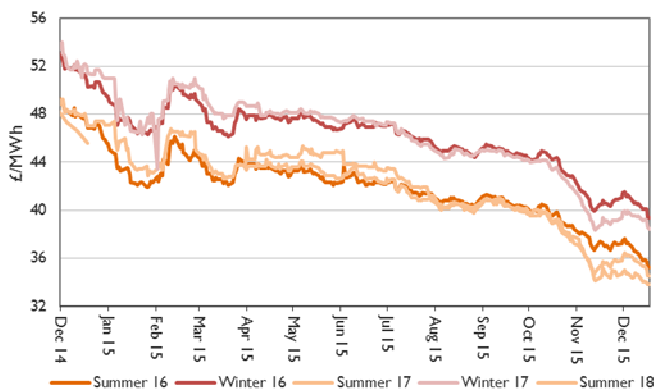
Forward curve comparison





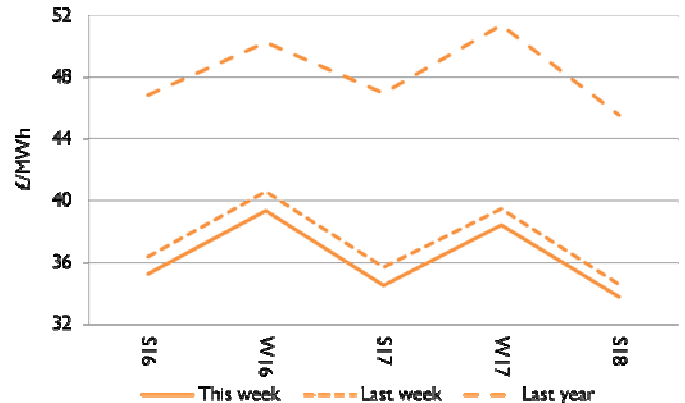
Seasonal power prices

Seasonal power contracts



- All seasonal power contracts declined this week.
- Summer 16 power slipped 3.2% to a record low of £35.3/MWh, which is 24.8% lower than the contract value last year (£46.9/MWh).
- The winter 16 contract decreased 3.1% to £39.4/MWh, also a record low. Summer 17 power trimmed 3.4% to £34.5/MWh.

Seasonal power curve



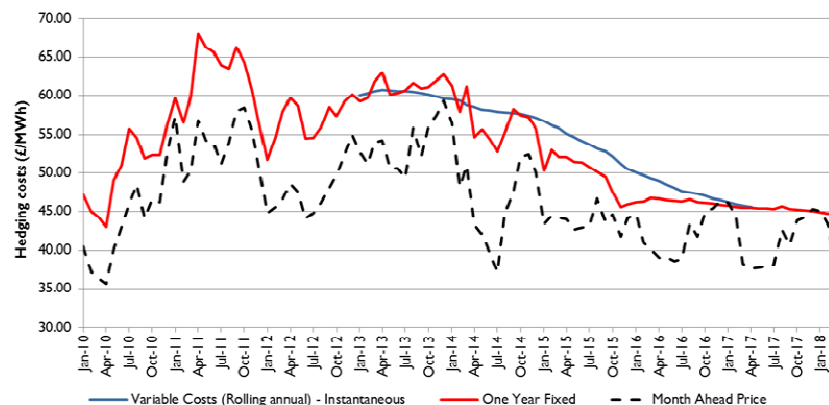
- Seasonal power contracts continued to be pressured by commodity prices; coal prices hit record lows while all gas contracts decreased.
- Despite fading in the gas market, backwardation remains in the power market, with longer-term contracts lower than those in the shorter term.
- The summer 18 contract is currently £33.8/MWh, which is lower than summer 17 and summer 16 contract values (£34.5/MWh and £35.3/MWh respectively).

Supplier hedging strategies

The annual April 16 power contract fell 6.3% average £39.1/MWh in November; the largest monthly fall since January 2015. Commodity prices remained the principle driver of power contracts, which broadly followed gas and coal prices down. Annual April 16 gas tumbled 9.0% to average 36.9p/th in November. Coal prices decreased 2.7% to average \$47.0/t, and hit a low of \$45.8/t on 13 November.

There were 37 price changes to fixed domestic dual-fuel tariffs in November. Of these, 34 were reductions and 3 were increases. Some notable tariff decreases were seen at Utility Warehouse (-2.8%), Go Effortless Energy (-2.8%), First Utility (-5.2%), RWE npower (-3.7% and -7.2%), Extra Energy (-2.9%, -6.5% and -1.7%), SSE (-15.5%), Places for People Energy (-3.5%) and Sainsbury's Energy (-4.7%). Notable rises were in tariffs belonging to First Utility (+1.3% and +6.1%) and RWE npower (+10.4%).

Annual power and gas contracts continued to fall in November, allowing suppliers to offer a greater number of lower fixed term deals. Those now offering lower prices are more likely to be shorter-hedged, and therefore able to pass on any contract price reductions through their tariffs. Other supplier tariffs are likely to be hedged in the longer-term.





Wholesale price snapshot

Key market indicators:

18/12/2015

		Gas (p/th)		Electricity (£/MWh)		Coal	Carbon	Brent crude
		Day-ahead	Year-ahead	Day-ahead	Year-ahead	(\$/t)	(€/t)	(\$/bl)
This week	18 Dec 15	31.90	34.27	34.90	37.30	44.10	8.07	37.28
Last week	11 Dec 15	36.10	35.63	39.40	38.50	44.60	8.01	39.08
Last month	18 Nov 15	35.45	36.67	37.40	39.03	46.70	8.57	44.51
Last year	19 Dec 14	52.50	52.93	40.35	48.55	68.00	6.89	59.99
Year-on-year % change		(39%)	(35%)	(14%)	(23%)	(35%)	17%	(38%)
Year high		54.75	52.93	47.00	48.85	68.00	8.64	68.94
Year low		31.90	34.18	34.90	37.30	44.00	6.33	37.27

This table shows the price this week compared with prices from the previous week, month and year. The graphs show the position of this week's prices with a red X and the range of prices over the year is represented by the black line.



About EDW Technology Limited

EDW has an extensive history of developing, implementing and supporting its 'best of breed' retail electricity software solutions.

In 2000, EDW began building a revolutionary new electricity software platform to support the rigorous demands of the UK's deregulated electricity supply market – a market characterised by rapidly changing government regulation, business processes, market rules, industry dataflows and customer demands. EDW were founded as a provider of high quality, end-to-end IT services and we have remained true to that aim ever since, servicing a range of companies in the energy industry.

For over 15 years, our software product ERS has empowered business electricity suppliers to transform customer experience, improve business efficiency, reduce costs to serve and improve profitability.

EDW has a UK based team of 85 employees working from the EDW offices in Milton Keynes.

Industrial and commercial billing specialists

The industrial and commercial electricity supply market has unique business requirements that need to be serviced with a specialised set of IT system capabilities. Sophisticated business customers are willing to actively engage in the management of their energy accounts and solutions need to provide tools that support enhanced service interaction. EDW has gathered an extensive knowledge of the industrial and commercial market sector that enables the delivery of a powerful set of system capabilities essential to your requirements to service this complex and demanding market sector.

EDW Technology Limited

EDW House

Radian Court

Knowlhill

Milton Keynes

MK5 8PJ

UK

Tel: +44 (0) 8448 802 489

Fax: +44 (0) 8448 802 487

Website: www.edwtech.com

Copyright © 2016 EDW Technology Limited. All rights reserved.

No part of this publication may be reproduced, transmitted, transcribed, stored in a retrieval system, or translated into any language, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without prior written permission from EDW Technology Limited.

All copyright, confidential information, patents, design rights and all other intellectual property rights of whatsoever nature contained herein are and shall remain the sole and exclusive property of EDW Technology Limited. The information furnished herein is believed to be accurate and reliable. However, no responsibility is assumed by EDW Technology Limited for its use, or for any infringements of patents or other rights of third parties resulting from its use.